



PROJECT FUNDING REQUEST

BOARD DATE: March 21, 2016

TEAM MANAGER: Nancy Richards

APPLICANT	New Ulm Water Supply Corporation
TYPE OF ASSISTANCE	\$200,000 Loan Forgiveness (Very Small Systems Program)
LEGAL PLEDGE	N/A; 100% Loan Forgiveness

STAFF RECOMMENDATION

Approve No Action

Approve, by resolution, a request from the New Ulm Water Supply Corporation (**Austin & Colorado Counties**) for \$200,000 in loan forgiveness from the Drinking Water State Revolving Fund to finance the replacement of asbestos lines and water improvements at the existing water treatment plant.

PROJECT

Upgrade Water Distribution and Storage
Project Number 62637

BACKGROUND

New Ulm Water Supply Corporation (WSC) is requesting financial assistance for the upgrades to water distribution and storage system. Due to the WSC's limited resources that make financing a loan difficult based on the small number of customers that would be responsible for the repayment of any debt service, the WSC has chosen to use the Very Small Systems Program to rehabilitate its main water distribution trunk lines and make improvements at the existing water treatment plant. The Very Small System's program of the Drinking Water State Revolving Fund is designed to provide loan forgiveness of up to \$200,000 to systems with populations of less than 1,000. The WSC received \$63,805 in loan forgiveness funds in fiscal year 2014 for the design phase of this project.

COMMITMENT PERIOD: THREE (3) MONTHS TO EXPIRE ON JUNE 30, 2016

FINANCIAL

Key Issues

The WSC submitted an application for \$408,000 from the Drinking Water State Revolving Fund (DWSRF) but will only receive the \$200,000 from the Very Small Systems Program. They will pursue TWDB funding for replacement of asbestos water lines and additional water facilities upgrades in fiscal year 2016 from the Very Small Systems Program.

Pledge and Repayment

N/A

Loan Forgiveness

The WSC is eligible for \$200,000 in loan forgiveness from the Very Small System Programs.

Cost Savings

Based on the loan forgiveness funds, the WSC will save \$200,000 over the life of the project.

Internal Risk Score

The funding is being provided by the Texas Water Development Board (TWDB) in the form of 100% loan forgiveness and therefore is not subject to the risk score. For grants and loan forgiveness, TWDB staff reviews audited financial information and other documentation to assess the entity's ability to manage existing obligations and business practices. Based on this analysis, staff believes the WSC has adequate capabilities to manage its obligations.

LEGAL

Key Issues

None.

CONDITIONS

Standard tax-exempt, Drinking Water State Revolving Fund conditions and further conditions as follows:

- Standard emergency discovery conditions;
- Executed loan forgiveness agreement;
- Conversion; and
- Return of surplus forgiveness funds.

Attachments: 1. Project Data Summary
2. Engineering/Environmental Review
3. Project Budget
4. Resolution (16-)
5. Water Conservation Review
6. Location Map

PROJECT DATA SUMMARY

Responsible Authority	New Ulm Water Supply Corporation
Program	Drinking Water State Revolving Fund
Commitment Code	LF1000507
Project Number	62637
Intended Use Plan Year	2016
Fund Number	951
Type of Pledge	N/A-Loan Forgiveness (Very Small System Program)
Revenue Pledge Level	N/A
Legal Description	\$200,000 Very Small Systems Program
Tax-exempt or Taxable	N/A
Refinance	N/A
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow Release
Population	475
Rural	Yes
Water Connections	159
Wastewater Connections	159
Qualifies as Disadvantaged	Yes
Disadvantaged Level	9
Clean Water State Revolving Fund Type	N/A
SWIFT Financing Type	N/A
SWIFT Project Type	N/A
Financial, Managerial, and Technical Review Complete?	No
Phase Committing	Construction
Pre-Design	N/A
Project Consistent with Water Plan	N/A
Water Conservation Plan	Yes
Water Rights Certification Required	No
Internal Risk Score	N/A
External Ratings (for SRF rates)	
Standard and Poor's	Non-Rated
Moody's	Non Rated
Fitch	Non-Rated
Special Issues	None

Project Team

Manager	Nancy Richards
Financial Analyst	Charles R. Nichols
Engineering Reviewer	James Bronikowski
Environmental Reviewer	Jean Devlin
Attorney	Annette Mass

**New Ulm WSC
62637 Upgrade Water Storage and Distribution
Engineering and Environmental Review**

Engineering:

Key Issues:

None known at this time.

Project Need/Description

Need: Infrastructure components in the New Ulm Water Supply Corporation's (Corporation) water system are nearing the end of their useful life.

Project Description: This proposed project includes funding for the construction of water plant improvements and replacement of approximately 2,500 linear feet of asbestos distribution line.

Project Schedule:

Project Task	Schedule Date
Design Phase Complete	6/1/2015
Closing	5/31/2016
Start of Construction	6/1/2016
Construction Completion	6/1/2017

Environmental Section:

Key Issues:

None known at this time.

Environmental Summary:

As set forth in the preliminary environmental information submitted by the applicant, there are no known environmental, social, or permitting issues that would preclude construction of the project. Based on this initial environmental review, it is not anticipated that the proposed project's primary environmental impacts should be significant or adverse, nor should they affect project implementation.

As required by 31 Texas Administrative Code §371.41, environmental review of the proposed project has been completed. A Categorical Exclusion was issued on April 22, 2014. The proposed project is in compliance with the National Environmental Policy Act.



Project Budget Summary
New Ulm WSC
62637 - Upgrade Water Storage and Distribution

Budget Items	Previous Commitments	This Commitment	TWDB Funds	Total
Construction				
Construction	\$0.00	\$200,000.00	\$200,000.00	\$200,000.00
Subtotal for Construction	\$0.00	\$200,000.00	\$200,000.00	\$200,000.00
Basic Engineering Services				
Design	\$39,830.00	\$0.00	\$39,830.00	\$39,830.00
Subtotal for Basic Engineering Services	\$39,830.00	\$0.00	\$39,830.00	\$39,830.00
Other				
Administration	\$18,000.00	\$0.00	\$18,000.00	\$18,000.00
Subtotal for Other	\$18,000.00	\$0.00	\$18,000.00	\$18,000.00
Contingency				
Contingency	\$5,975.00	\$0.00	\$5,975.00	\$5,975.00
Subtotal for Contingency	\$5,975.00	\$0.00	\$5,975.00	\$5,975.00
Total	\$63,805.00	\$200,000.00	\$263,805.00	\$263,805.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE
TO NEW ULM WATER SUPPLY CORPORATION
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH A LOAN IN THE AMOUNT OF \$200,000
WITH 100% LOAN FORGIVENESS

(16-)

WHEREAS, the New Ulm Water Supply Corporation, located in Austin and Colorado Counties (Corporation) has filed an application for financial assistance in the amount of \$408,160 from the Drinking Water State Revolving Fund (DWSRF) to finance the construction of certain water system improvements identified as Project No. 62637; and

WHEREAS, the Corporation seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of \$200,000 with 100% to be forgiven, as is more specifically set forth in the application and in recommendations of the TWDB's staff; and

WHEREAS, the TWDB hereby finds:

1. that no debt obligations are to be assumed by the Corporation for the loan and no taxes or revenues are required to be pledged by the Corporation;
2. that the application and assistance applied for meet the requirements of the Safe Drinking Water Act, 42 U.S.C. §§ 300f *et seq.* as well as state law, in accordance with Texas Water Code § 15.607;
3. that the Corporation is exempt from requirements to adopt a water conservation program because the TWDB's financial assistance will be \$500,000 or less;
4. that the TWDB has approved a regional water plan for the region of the state that includes the area benefiting from the project and the needs to be addressed by the project will be addressed in a manner that is consistent with the approved regional and state water plans, as required by Texas Water Code § 16.053(j);
5. that a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 has been completed by the Corporation and filed with the TWDB in accordance with Texas Water Code § 16.053(j);
6. that the Corporation meets the definition of a small water system in accordance with 31 TAC § 371.1(60) and the current Intended Use Plan, and is therefore eligible for subsidy through the DWSRF; and
7. that the Executive Administrator issued a Categorical Exclusion on April 22, 2014, such findings being subject to the standard emergency discovery conditions for threatened and

endangered species and cultural resources in the Project contract documents. The TWDB concurs with the environmental finding issued by the Executive Administrator.

NOW, THEREFORE, based on these findings, the TWDB resolves as follows:

A commitment is made by the TWDB to the New Ulm Water Supply Corporation for financial assistance in the amount of \$200,000 from the Drinking Water State Revolving Fund with 100% of the loan forgiven. This commitment will expire on June 30, 2016.

Such commitment is conditioned as follows:

Standard Conditions

1. this commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand;
2. this commitment is contingent upon the Corporation's compliance with all applicable requirements contained in 31 TAC Chapter 371;
3. the Loan Forgiveness Agreement must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Loan Forgiveness Agreement that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect;
4. loan proceeds are public funds and, as such, the Loan Forgiveness Agreement must include a provision requiring that these proceeds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257;
5. loan proceeds shall not be used by the Corporation when sampling, testing, removing or disposing of contaminated soils and/or media at the project site. The Loan Forgiveness Agreement shall include an environmental indemnification provision wherein the Corporation agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the Corporation, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law;
6. prior to closing, and if not previously provided with the application, the Corporation shall submit executed contracts for engineering and, if applicable, financial advisor and bond counsel contracts, for the project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator;

7. prior to closing, when any portion of the financial assistance is to be held in escrow or in trust, the Corporation shall execute an escrow or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB;
8. the Executive Administrator may require that the Corporation execute a separate financing agreement in form and substance acceptable to the Executive Administrator;

State Revolving Fund Conditions

9. the Corporation shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
10. the Loan Forgiveness Agreement must include a provision stating that all laborers and mechanics employed by contractors and subcontractors for projects shall be paid wages at rates not less than those prevailing on projects of a similar character in the locality in accordance with the Davis-Bacon Act, and the U.S. Department of Labor's implementing regulations. The Corporation, all contractors, and all sub-contractors shall ensure that all project contracts mandate compliance with Davis-Bacon. All contracts and subcontracts for the construction of the project carried out in whole or in part with financial assistance made available as provided herein shall insert in full in any contract in excess of \$2,000 the contracts clauses as provided by the TWDB;
11. the Loan Forgiveness Agreement must include a provision stating that the Corporation shall provide the TWDB with all information required to be reported in accordance with the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282, as amended by Pub. L. 110-252. The Corporation shall obtain a Data Universal Numbering System (DUNS) Number and shall register with System for Award Management (SAM), and maintain current registration at all times during the term of the Loan Forgiveness Agreement;
12. the Loan Forgiveness Agreement shall provide that all loan proceeds will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and also shall provide that the Corporation will adhere to the approved project schedule;
13. the Loan Forgiveness Agreement must contain a covenant that the Corporation will abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by the 2014 Federal Appropriations Act and related State Revolving Fund Policy Guidelines;

Drinking Water State Revolving Fund Conditions

14. prior to closing, the Texas Commission on Environmental Quality, must make a determination, the form and substance of which is satisfactory to the Executive Administrator, that the Corporation has demonstrated the necessary financial, managerial,

and technical capabilities to proceed with the project or projects to be funded with the proceeds of these Loan Forgiveness Agreement; and

15. prior to release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the Corporation must provide documentation that it has met all applicable state procurement requirements as well as all federal procurement requirements under the Disadvantaged Business Enterprises program.

PROVIDED, however, the commitment is subject to the following special conditions:

Special Conditions:

1. the Corporation must notify the Executive Administrator prior to taking any actions to alter its legal status in any manner, such as by conversion to a conservation and reclamation district or a sale-transfer-merger with another retail public utility;
2. prior to closing, the Corporation shall execute a Loan Forgiveness Agreement in a form and substance acceptable to the Executive Administrator;
3. the Loan Forgiveness Agreement must include a provision stating that the Corporation shall return any loan forgiveness funds that are determined to be surplus funds in a manner determined by the Executive Administrator; and
4. the Corporation must comply with the standard emergency discovery conditions for threatened and endangered species and cultural resources, as more fully specified in the final environmental finding of the Executive Administrator.

APPROVED and ordered of record this 21st day of March, 2016.

TEXAS WATER DEVELOPMENT BOARD

Bech K. Bruun, Chairman

DATE SIGNED: _____

ATTEST:

Kevin Patteson
Executive Administrator

WATER CONSERVATION REVIEW

Entity: _____

Review date: _____

WATER CONSERVATION PLAN DATE: **Approvable** **Adopted**

	Total GPCD	Residential GPCD	Water Loss GPCD	Water Loss Percent
Baseline				
5-year Goal				
10-year Goal				

WATER LOSS AUDIT YEAR:

Total water loss (GPCD): _____ Total water loss (percent): _____ Wholesale Water
 Total no. of connections: _____ Length of mains (miles): _____ Connections per mile: _____
 If > 16 connections per mile and > 3,000 connections, Infrastructure Leakage Index (ILI): _____

WATER LOSS THRESHOLDS:

	Apparent Loss Gallons per connection per day	Real Loss Gallons per mile per day	Real Loss Gallons per connection per day	Apparent Threshold Gallons per connection per day	Real Threshold Gallons per mile per day	Real Threshold Gallons per connection per day
If population ≤ 10K, connections/mile < 32 :						
If population ≤ 10K, connections/mile ≥ 32 :						
If population > 10K :						

Does the applicant meet Water Loss Threshold requirements? Yes No NA

ADDITIONAL INFORMATION:

STAFF NOTES AND RECOMMENDATIONS:

DEFINITIONS

Adopted refers to a water conservation plan that meets the minimum requirements of the water conservation plan rules and has been formally approved and adopted by the applicant's governing body.

Apparent loss refers to unauthorized consumption, meter inaccuracy, billing adjustments, and waivers.

Approvable refers to a water conservation plan that substantially meets the minimum requirements of the water conservation plan rules but has not yet been adopted by the applicant's governing body.

Best Management Practices are voluntary efficiency measures that save a quantifiable amount of water, either directly or indirectly, and that can be implemented within a specific time frame.

GPCD means gallons per capita per day.

Infrastructure Leakage Index (ILI) is the current annual real loss divided by the unavoidable annual real loss (theoretical minimum real loss) and only applies to utilities with more than 5,000 connections, average pressure greater than 35 psi, and a connection density of more than 32 connections per mile. The **ILI** is recommended to be less than 3 if water resources are greatly limited and difficult to develop, between 3 and 5 if water resources are adequate to meet long-term needs but water conservation is included in long-term water planning, and between 5 and 8 if water resources are plentiful, reliable, and easily extracted. The **ILI** is recommended as a benchmarking tool, but until there is increased data validity of the variables used in the calculation, the **ILI** should be viewed with care.

NA means not applicable.

Produced water is the total amount of water purchased or produced by the utility.

Real loss comes from main breaks and leaks, storage tank overflows, customer service line breaks, and leaks.

Residential GPCD is the amount of water per capita used solely for residential use and ideally includes both single and multi-family customer use.

Total baseline GPCD is the amount of all water purchased or produced by the utility divided by the service area population and then divided by 365.

Total water loss is the sum of the apparent and real water losses.

Water loss is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

Water Loss Thresholds are levels of real and apparent water loss determined by the size and connection density of a retail public utility, at or above which a utility receiving financial assistance from the Texas Water Development Board must use a portion of that financial assistance to mitigate the utility's system water loss.

New Ulm WSC, Austin & Colorado Counties

